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RHEHAAA/WHITEHOUSE WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEKJCS/DIA WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHMFISS/HQ USEUCOM VAIHINGEN GE PRIORITY
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK PRIORITY
RHEHNSC/NSC WASHINGTON DC PRIORITY
RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 03 ABUJA 002380

SIPDIS

SENSITIVE
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DEPARTMENT PLEASE PASS TO USTR (FLISER)
ENERGY FOR CAROLYN GAY

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EFIN](#) [PGOV](#) [PREL](#) [NI](#)

SUBJECT: NIGERIANS INTERESTED IN INCREASED US INVESTMENT IN
INFRASTRUTURE AND NON-OIL SECTOR

REF: A. ABUJA 1582

[1](#)B. ABUJA 2059

[1](#)C. ABUJA 2191

SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY

[1](#)1. (SBU) SUMMARY: On November 12 the Deputy Secretary and A/S Frazer met with bankers, businessmen, government representatives from telecommunications, trade and commerce, and Deputy Economic Advisor to the President to discuss the current investment climate in Nigeria. The bankers were interested in partnerships with U.S. banks in Nigeria and creating branches in the U.S. The representative from the Ministry of Commerce and Industry sought help in encouraging U.S. Customs to ease U.S. import standards on Nigerian textiles to take advantage of AGOA. A private businessman emphasized the need for a bilateral investment/trade mechanism to spur U.S. investment in Nigeria. The representative from the Nigerian Communications Commission urged for more competition in this fast growing sector and thanked USAID for technical assistance in Nigeria and the region. Faced with an increasing demand for electricity, First Bank Chair suggested that the U.S. and Nigeria partner on nuclear energy projects. END SUMMARY.

BANKING SECTOR

[1](#)2. (SBU) Alhaji U.A. Mutallab, Chairman of First Bank (one of the biggest banks in Nigeria with more than 400 branches and offices in the UK and South Africa) reported that the bank was interested in the U.S. market but that U.S. bank regulators have made it nearly impossible to do business there with more than one million shareholders. First Bank is publicly traded on the Lagos Stock Exchange and plans to list on the London Stock Exchange soon. Nigerian banks are heavily capitalized and are investing in power, petroleum, solid minerals and telecom sectors. Mutallab commented that the bank raised 100 billion naira (\$838 million) in a recent public offering for shares, that was over-subscribed by 400 billion naira.

13. (SBU) Senator Faruk Bello Bunza, Managing Director of Guaranty Bank, said that Nigerian banks do not provide sufficient capital to assist in the development of Nigeria's infrastructure, agriculture sector and industry. Annual interest rates of 16 to 30% are too high and unsustainable for Nigerian industries. As a result, industries are closing, such as the textile industry (reftel A). Bunza noted that while there are some non-oil American companies here, U.S. investment is relatively low.

TELECOMMUNICATIONS

14. (SBU) Funlola Akiode, Head of Economic Analysis, Nigerian Communications Commission, reported that since 2000 the number of phone lines in Nigeria have jumped from 500,000 to 8 million, still insufficient to satisfy the high demand. She said that 50 companies are in the sector, including five GSM providers and 24 fixed wireless; and are all money-making ventures. She argued that competition was good and the sector needed more players particularly to invest in rural markets. The biggest challenges in the sector were inadequate power, not enough skilled technicians and engineers, and insufficient access to funds.

BILATERAL INVESTMENT TREATY

15. (SBU) Obiora Okonkwo, President of the Nigeria-Belgium Business Forum, stressed that a bilateral investment treaty (BIT) with the U.S. would be a great benefit to companies

ABUJA 00002380 002 OF 003

like his who seek greater ties to the U.S. Drawing on his experience in helping to promote a BIT with Belgium, Okonkwo said that high level support from former President Obasanjo had been key to finalizing the negotiation. He suggested that the U.S. and Nigeria discuss a BIT at the upcoming Trade and Investment Framework Agreement Council meetings in December. Deputy Secretary and A/S Frazer concurred that the U.S. wants to improve its relationship with Nigeria, sees value in establishing economic agreements that demonstrate a long-term commitment to the economic relationship, and agreed that a BIT should be examined further.

16. (SBU) Ajuji Ahmed, Deputy Economic Advisor to President Yar'adua, explained that a process of regular meetings began in 1999 to discuss deeper economic ties and led to the creation of the Joint Economic Partnership Committee. However, those talks ended after 2-3 years. First Bank Chairman Mutallab underscored that a BIT should be negotiated to spur U.S. investors. The Deputy Secretary noted that perhaps now was the time to resurrect efforts to deepen trade and investment ties.

17. (SBU) Mary Ejembi, Deputy Director for External Trade, at the Ministry of Commerce and Industry, said Nigerian agencies met last week to discuss takeaways for the upcoming TIFA and stressed that U.S. expertise and investment are welcome. She said that AGOA is not working well in Nigeria because U.S. import standards are too high for Nigerian textile manufacturers. A/S Frazer commented that the issue of standards has been a problem in other countries and we are working to prevent it from being a barrier to trade.

18. (SBU) The CDA reported that a team from the U.S. Export-Import Bank was in Lagos exploring increased opportunities and that the Secretary of the Department of Commerce would lead a trade delegation to Nigeria in March 2008. Ejembi commented that the Indians, Chinese and Japanese have been more eager to discuss opportunities than the U.S.

ELECTRICITY SECTOR - CURSE AND OPPORTUNITY

¶9. (SBU) Ajuji Ahmed said that an important factor limiting economic development was insufficient electricity. He reported that less than 3,500 MW are supplied to consumers from this grid and that unmet demand was well over 10,000 MW.

He said that lack of power has resulted in the closure of businesses in the manufacturing sector, including textiles (reftel B). Ahmed explained that a number of Independent Power Projects (IPPs) were seeking to divert flared natural gas but that these IPPs are all located in the volatile Niger Delta. Due to instability in the Niger Delta, a number of IPPs could be disrupted (reftel C). Ahmed supported expanding the number of IPPs in other parts of the country to avoid violent disruptions.

¶10. (SBU) Mutallab offered that Nigeria and the U.S. should partner to bring atomic energy to the forefront. He considered nuclear energy the quickest method to increase the supply of electricity and an area of expertise that the U.S. could share with Nigeria. He said Nigeria was open to foreign operators. The Deputy Secretary said that this was another area of possible cooperation.

ISLAMIC BANKING

¶11. (SBU) The CDA asked the Bankers whether Islamic banking was a growth area in Nigeria. Mutallab responded that his bank was interested and that the Nigerian Central Bank has approved the establishment of Islamic banks. He said that Islamic banks were "long overdue" in Nigeria and his

ABUJA 00002380 003 OF 003

shareholders overwhelming support them. First Bank is in negotiations with other banks to create an Islamic bank in Nigeria.

¶12. (SBU) Participants:

U.S.
The Deputy Secretary
A/S Frazer
CDA Lisa Piascik
Gustavo Delgado, D Staff
Ted Wittenstein, D Staff
Terry Pflaumer, PolCouns
Robert Tansey, EconCouns
Sharon Cromer, USAID MD
Tony Fernandes, Embassy Notetaker

Nigeria
Obiora Okonkwo, President of the Nigeria-Belgium Business Forum
Senator Faruk Bello Bunza, MD Guaranty Bank
Alhaji U.A. Mutallab, Chairman of First Bank
Ajuji Ahmed, Deputy Economic Advisor to President Yar'adua
Funlola Akiode, Head of Economic Analysis, Nigerian Communications Commission
Mary Ejembi, Deputy Director for External Trade, Ministry of Commerce and Industry

¶13. (U) The Deputy Secretary's staff has cleared this message.
PIASCIK